
FROM OUR READERS: Water Dept. needs greater accountability

February 16, 2006

In response to your Feb. 12 editorial "Sewerage Politics: End the city-bashing over Water Dept.": The division that exists between the Detroit Water and Sewerage Department and the communities it serves stems from the lack of transparency with which the department operates, not from my legislation, which attempts to address this issue.

While I appreciate your view that people should pay whatever the Detroit Water and Sewerage Department decides to charge, because their toilets flush and their water is safe to drink, I strongly disagree.

On numerous occasions, the media, including this newspaper, have highlighted the ongoing concerns surrounding the management, wholesale rate-setting and contracting practices of the Detroit Water and Sewerage Department.

As for the input of U.S. District Judge John Feikens, we have three branches of government. Judges interpret the law; legislators make the law. Judge Feikens is entitled to his opinions, but his oversight of the department relates to compliance with the federal Clean Water Act, not rate-making and contracting for water to the department's customers.

The governor did raise some legal concerns in her veto message of my legislation three years ago. We have addressed them to the best of our ability in Senate Bill 372, which is currently moving through the Legislature.

Laura M. Toy
State Senate, 6th District, Livonia

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'We cannot live like this'

Residents question hikes in water rates

BY DARRELL CLEM
STAFF WRITER

Angry that their water bills are rising like floodwater, local residents demanded relief Friday morning during a town hall meeting in Westland.

State Sen. Laura Toy, R-Livonia, called the meeting to hear concerns from her 6th District constituents in Garden City, Livonia, Redford and Westland. She has proposed new legislation for a regional authority that would oversee such issues as rate hikes imposed by Detroit.

Retiree Butch LeVeck of Garden City brought a \$181 water bill that he received last summer for a two-month billing period.

"That's more than I pay for electricity," he said, during the meeting attended by about 50 people at Westland's Bailey Recreation Center.

The Detroit Water & Sewerage Department has slapped Garden City with a 19.3 percent rate increase starting July 1. That compares to 9.5 percent for

Livonia and Redford, and 5.9 percent for Westland.

"We cannot live like this," LeVeck said. "Garden City is a hurting city right now."

Local officials have accused Detroit of raising rates based on studies on summer days when residents are using more water. Moreover, Toy has criticized Detroit officials for not being financially accountable.

Toy, who hosted Friday's meeting with Westland Mayor Sandra Cicirelli and Garden City Manager David Harvey, criticized the current system as "taxation without representation" for suburban communities.

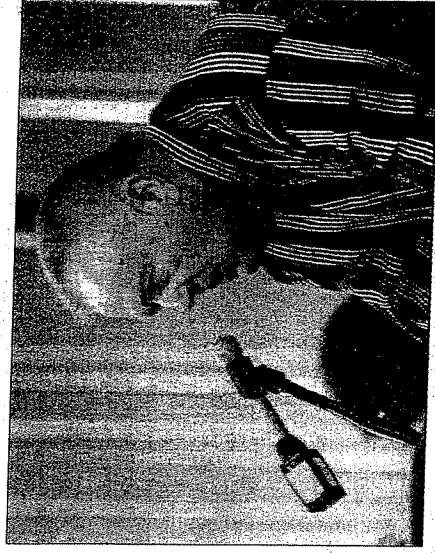
Westland retiree Wayne Mirth received a \$126 water bill for a two-month billing cycle.

"People on fixed incomes cannot keep on affording this," he said.

Mirth didn't just take aim at Detroit, though. He also advised Westland officials to stop depleting the local water-sewer fund by shifting



State Sen. Laura Toy speaks out at the Town Hall meeting on the water rates. Beside her, Westland Mayor Sandra Cicirelli (center) and Garden City Manager David Harvey.



Mel Tochstein of Westland makes a point to Sen. Laura Toy during the meeting.



Westland resident Elnora Ford listens to Sen. Laura Toy's response to the question she posed during the town hall meeting.

PHOTOS BY TOM HAWLEY/STAFF PHOTOGRAPHER

PLEASE SEE WATER, A2

WATER

FROM PAGE A1

money to the city's general fund.

Some area residents also have said that their local officials in past years imposed rate hikes beyond the increases charged by Detroit. That hasn't happened in recent years, Cicirelli said.

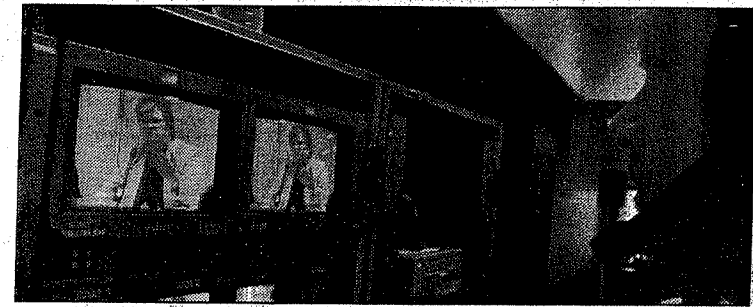
Residents like Mel Tochstein of Westland and Mary Smith of Garden City blamed Detroit for wasting water by ignoring timely repairs to ruptured water mains.

"We're not going to fix the city of Detroit," Smith said, "and the city of Detroit is the problem."

Russell Bellant, a Detroit resident and former Detroit water plant operator, reminded suburban officials that it was their cities that years ago demanded water service from Detroit.

Bellant defended the Detroit water system and compared Toy's bill to an attempted takeover — a move that he said would further complicate the situation. Bellant also accused local officials of grandstanding.

"It's good for vote-getting," he said. "It's good for getting



TOM HAWLEY | STAFF PHOTOGRAPHER

Cable Director Craig Welkenbach and his crew broadcast the meeting.

anger out."

Toy has proposed SB 372 to create a regional authority with representatives not only from Detroit, but from Wayne, Oakland, Macomb and Genesee counties. She called for fairness on water rates for residents already struggling to pay higher costs to heat their homes and gas up their vehicles.

"People are strapped and frustrated," Toy said.

She called on local residents to "rise up" and make their concerns known by contacting their elected leaders in Lansing.

Local officials and residents appeared supportive of Toy's legislation.

"This is a good bill," Cicirelli said, adding that suburban officials don't want to take over the Detroit water system. "We just want fair

representation in what happens."

Garden City Councilwoman Diane Webb urged residents to mount a letter-writing campaign to state officials and newspapers.

Toy had proposed similar legislation three years ago, but Gov. Jennifer Granholm ultimately vetoed it.

"The governor does have that final pen," Toy said, "and she had some concerns."

According to documents brought by Toy to the town hall meeting, the area has seen startling rate increases since 1994: 91 percent in Westland, 113 percent in Redford and 85 percent in Livonia.

Garden City has had a 63 percent rate increase since 2002.

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Suburban water rates to jump 5.7%

Hikes are higher than the 3.9 percent increase to suburban customers in 2005-06

Darren A. Nichols / The Detroit News

December 13, 2005

Suburban customers in 126 communities across southeast Michigan will pay an average of 5.7 percent more for water, and Detroiters will pay 5.4 percent more, according to rates proposed Monday by the Detroit Water and Sewerage Department.

The rates are higher than the 3.9 percent increase to suburban customers in 2005-06, but some individual communities will see significant changes based on how much water they used at times of peak demand. Garden City will see a 19.3 percent rate hike, while Northville will pay 10 percent less. Last year's suburban increase was the lowest in 12 years.

The continual rate hikes have fueled efforts by communities to get more input into the operation of the water system, which some fear is being used to charge suburbanites for other city costs. The wholesale price of water to suburban communities has increased each year for the last five years, with some years chalking up double-digit rate increases.

Oakland County Drain Commissioner John P. McCulloch said water rates for suburban cities, including those in Oakland County, have been artificially inflated "for years" and the rate increases are used to underwrite other projects in Detroit rather than just the water system.

"We need a regional governance body for oversight," McCulloch said.

But Victor Mercado, director of the Detroit Water and Sewerage Department, says the city is working to decrease rates.

"We're trying to keep the rates at a reasonable level," Mercado said. "We have had tremendous strides in a productivity increases, reductions in overtime and the overall cost of the system.

"But the capital improvement is the driving force (behind the increase), because you still need to improve the infrastructure. The primary concern is safe, clean drinking water to all of our customers."

The rates made public Monday are the wholesale price each community pays to Detroit. Rates must be approved by the Detroit Water Board in January and the Detroit City Council in February.

Once they are finalized, suburban communities can add local charges, which will appear on water bills in July. For example, Ferndale currently pays Detroit \$6.45 per thousand cubic feet of water. The average residential water bill is about \$50 monthly.

The idea of higher water rates irks many Metro Detroit residents, who already are trying to cope with higher costs for things like heat and cable service.

"All the utilities are squeezing money out of us," said Rudy Rivera, 33, a graphic designer and sound engineer who lives in Warren. "The utilities have gotten out of hand. I know people who are making \$30,000 a year who are struggling. That used to be enough money to put a little money aside, but now, the way things keep going up, \$30,000 is nothing."

Calculating water rates for each community involves a complicated system that includes meter readings for the past three years and historical data that precede the installation of new meters in the suburbs in 2001.

Each area is given a profile that measures 11 characteristics. The three most important factors are distance the water is pumped, the community's elevation and the amount of water a community uses on its busiest day.

Ferndale's rate increase of 18.8 percent, the highest in Oakland County, is the result of a faulty valve that has since been repaired, Ferndale City Manager Tom Barwin. He expects the increase will be reviewed and adjusted.

But even if the hefty rate increase held, Barwin said it would not totally be passed onto the public.

Officials in Warren, which filed a lawsuit in 2002 after it was unable to decipher Detroit's formula for calculating water rates, were expecting nearly a 7 percent increase this year. Instead, they will have an increase of nearly 13 percent. Officials did not know what contributed to the higher projected rate.

Last year, Warren's rate went up 2 percent, which officials saw as relief from larger recent hikes.

"Last year, Detroit rolled back our water rates," spokesman Joe Munem said. "It's now clear that was an election-year rollback. Kwame (Kilpatrick) cut rates so we wouldn't complain about it too loudly while he was running for mayor."

A public hearing on the proposed rate for Warren is scheduled for Dec. 27 in the City Council chambers.

But several other communities that had increases in 2005-06 will get relief this year.

Many of those had protested the use of historical data as a way of making calculations. Others have reduced usage during times of peak demand by building water storage tanks they can tap when necessary or resorted to measures such as watering bans to reduce consumption.

Wholesale rates for Northville will decline by 10 percent, the largest reduction of any community in Metro Detroit. The city will pay a wholesale price of \$15.67 per 1,000 cubic feet.

Pontiac, which received a 19 percent increase last year and a 45 percent rate increase in 2004, also is getting a rate reduction of 9.3 percent, the biggest decrease in Oakland County.

Rick Shepler, Pontiac public utilities administrator, said the city has been making better use of 12 million gallons in holding tanks.

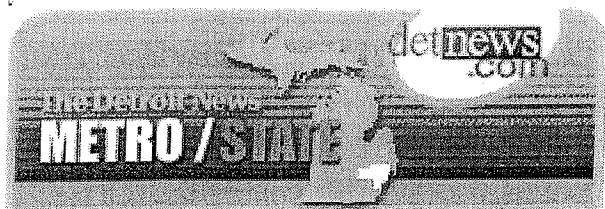
"We did a good job of keeping our peak-hour demands down by monitoring and keeping our intake (from Detroit) at a flat level," he said.

Pontiac resident Elda Booth said she didn't believe she would ever see lower water rates.

"It seems my water bill goes up every year," Booth said.

The Water and Sewerage Department provides drinking water to 4.3 million customers -- more than 40 percent of Michigan's residents.

Detroit News reporters Michael Martindale and George Hunter contributed to this report. You can reach Darren A. Nichols at (734) 462-2190 or dnichols@detnews.com.



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Wednesday, July 27, 2005



Bryan Mitchell / Special to The Detroit News

Carl Battishill of Plymouth waters his flowers twice a day. "It would be nice if there were new water and sewer systems that weren't so expensive, but that's not going to happen anytime soon," he says.

Suburban water fees keep getting higher

Water bills reflect increase by Detroit, local communities' costs that are added on to that rate.

By Eric Lacy / The Detroit News

Homeowners across Metro Detroit are feeling the impact of aging water and sewer pipes in their wallets and their lawns, and there may be more to come in the future.

Several communities have just set rate increases, some as high as 15 percent, because of adjustments in the cost of water from the Detroit Water and Sewerage Department, as well as extra costs imposed by each municipality. The department raised its wholesale water prices to the 126 communities it serves by an

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average of 4 percent.

But rates are rising by far more than that in some communities.

Moreover, water prices have been spiraling in many communities over the past three years -- in Wixom residents have faced 63 percent in increases since 2002, and in Plymouth rates have climbed by 35 percent since then.

"I guess you could say that I pray for rain a lot," said Canton Garden Club member Jane Davis, reflecting on water rates.

The hikes come at a time when regional planners estimate the tab for sewer maintenance could top \$50 billion over the next 30 years.

That figure doesn't include the anticipated improvements needed to the water supply system, which haven't been accurately tallied yet on a regional basis.

One official warns that more expensive water and sewer bills loom in the future.

"The year of the low (rate) increase is kind of an anomaly," said Chuck Hersey, manager of environmental programs for the Southeast Michigan Council of Governments of the prices across Metro Detroit. "But the solution can't just be to put more money in the system. It has to be some combination of both (higher rates and reduced peak demand)."

Plymouth resident Carl Battishill, 53, still waters his flowers twice a day, despite the higher prices.

"It would be nice if there were new water and sewer systems that weren't so expensive, but that's not going to happen anytime soon," he said. "Apparently we all just have to live with what we got."

Davis of Canton said higher rates don't bother her too much.

"I'm conservative and know the importance of our resources. Plus, I know these rates are nothing



Ankur Dholakia / The Detroit News

Anthony Lee of Detroit, a service adviser at Jax Car Wash in Southfield, waits for cars to drive in for a wash.

Rate increases

The following communities already have passed water and sewer rate hikes to their residents, or plan to do so soon.

- Sterling Heights: 6.73 percent increase started July 1, an additional \$25.65 annually.

- Plymouth: 4 percent increase started July 1, an additional \$26.64 annually.

- Southfield: 15.1 percent increase started July 1, an additional \$123.76 annually.

- Troy: 10 percent increase started July 1, an additional \$40 annually.

- Canton: possible 9 percent increase in 2006, an additional \$20 annually.

- Novi: 2.4 percent increase starts Aug. 1, an additional \$15 annually.

- Dearborn: 9.4 percent increase started July 1, an additional \$48.54 annually.

Source: Detroit News research

Conservation tips

- Don't do laundry on rainy days. It taxes the sewer system which already is bogged down from storm water runoff.

- Don't use lawn irrigation systems on

Metro/State

- Metro/State index for Wednesday, July 27, 2005
- Detroit's radios paid by suburbs
- Suburban water fees keep getting higher
- Joblessness hurts mor kids
- Firefighter's suit spurrs probe
- Crematory in Clinton is barred
- Police ticket Oakland, Genesee speeders on I-75
- Bizarre events put som observers in the Twilight Zone
- Foundation's change ir thinking aims to help veterans' lives
- Police search for missing Romulus teen
- Storms lash Metro Detroit
- Security drives locks upgrade
- Granholm vetoes election board bill
- Heat wears on Metro Detroit
- Rehabilitated or not, young killer will go free
- Lawyer charged in fals court filings
- Hendrix raises more funds than Kilpatrick
- Former principal charg in thefts
- Warren podcasts keep residents current
- Water advisory posted for Marine City

PHOTO BY ANKUR DHOLAKIA FOR THE DETROIT NEWS

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compared to other areas," she said.

Davis only runs the dishwasher when it's full, uses a local car wash and waters the lawn only in extremely dry conditions.

Some communities are pressing residents to limit lawn watering during summer's hottest days to reduce demand, which limits peak usage, a key factor in setting water rates.

In addition to the water hikes, Detroit raised sewer rates an average of 2.4 percent for the 77 communities it serves. But those numbers tell only part of the story for most homeowners because of the local portion of the bill.

In Plymouth's case, water and sewer bills are 35 percent more now than they were in 2002, including a 4 percent increase that took effect July 1. City finance director Mark Christiansen estimates this year's increase will cost a typical homeowner an additional \$26 a year. Those increases come despite an almost 5 percent wholesale water rate reduction and about a 1 percent sewer water rate from Detroit this year.

"It probably will be only a one-year phenomenon," Christiansen said of the Detroit decrease. Plymouth's portion of the increase was needed to fix the local parts of the system and to pay off debt on previous improvements, Christiansen said.

Southfield residents started paying 15 percent more on July 1, an increase that will cost a typical homeowner an additional \$124 annually, city officials said.

In Dearborn, residents are paying 9 percent more this year to help cover more than \$13 million in improvements to water and sewer pipes and facilities this year, said Sam Smalley, Dearborn's water and sewerage manager.

Macomb Township rates have increased 23 percent over the past three years, mostly to cover increases in the wholesale rate from Detroit, said David Koss, superintendent of the water and sewer department.

Wixom joined the Detroit water system about four years ago, and rates have risen 63 percent since 2002. Michael Howell, Wixom director of public works, said the increases were the result of increased wholesale rates from Detroit and local projects, including improving fire hydrants and conducting

timers; water only when needed.

- Use rainwater to water plants.
- Clean sidewalks and driveways with a broom, instead of a hose.
- Wash vehicles at a car wash instead of at home.

Source: Southeast Michigan Council of Governments

CyberSurvey

Precious resource?

Do you make an effort to conserve water?

- ☐ Yes, I'm very conscious of how much water I use
- ☐ Somewhat, but I know I could do better
- ☐ Frankly, I don't pay attention to water usage
- ☐ No, I don't even obey my town's even/odd watering schedule

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a new water study.

Canton Township officials are studying rates in light of the community's growing demand for water. They haven't raised rates since 2003 but expect an increase Jan. 1 once the analysis is complete, said John Spencer, budget and water billing manager.

Spencer says money received from residents to pay water and sewer bills isn't much more than the wholesale rate it pays to Detroit.

Detroit officials said their portions of the increases are needed to help pay for \$2.4 billion in capital improvements to the water and sewer systems over the next four years. They also note that this year's increase was the smallest in the past 12 years on a system where some water mains and pipes are a century old.

Increased use, fueled by growth, also taxes the system and leads to higher rates. Detroit uses a community's peaking factor -- the maximum amount of water it needs at once -- as a key part in determining its rates.

Some communities have built reservoirs that can be filled during off hours and drained during high-demand times.

Other communities, including Sterling Heights, Washington Township, Northville, Van Buren Township, Novi and Troy, have asked their residents to voluntarily restrict outdoor water use to an odd/even schedule that matches house numbers to the date of the month. That reduces peak demand and helps stave off some future rate increases.

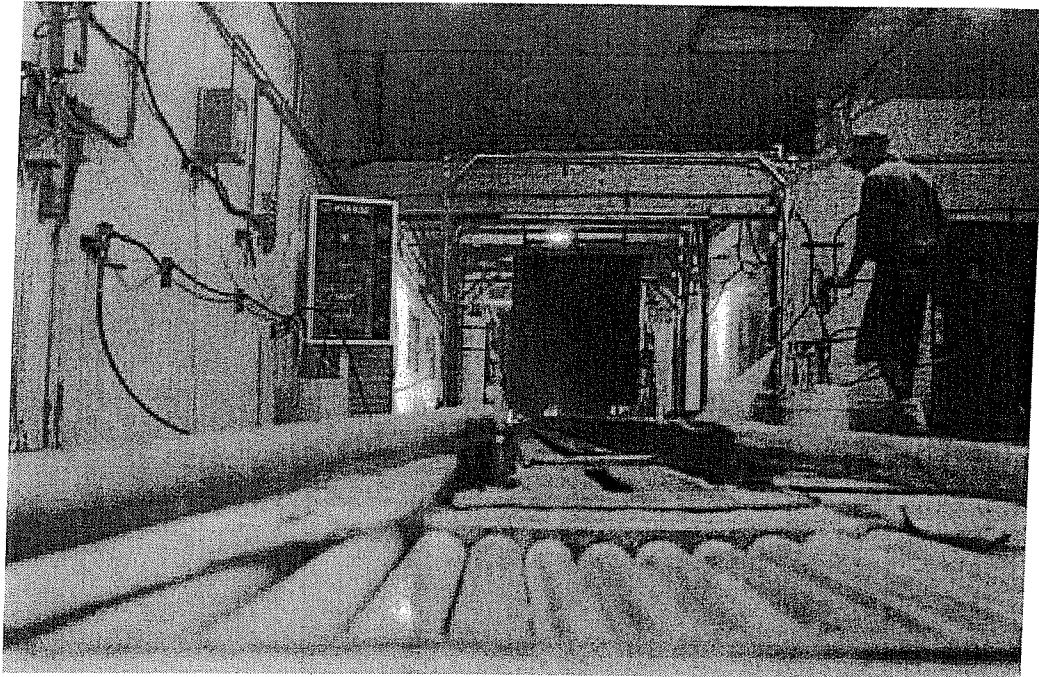
Officials say conservation would help relieve stress on the old -- but growing -- system.

"We have to look at low-cost ways to reduce demand on the systems," Hersey said.

In Sterling Heights, the average resident will pay \$25.65 more for water and sewer services this year, said Public Works Director Guy Kebbe.

"If all residents followed an odd/even schedule, you wouldn't have everyone water on the hottest day, which in turn leads to high costs," Kebbe said. "Spreading out usage is key, since the system has to be sized to meet the greatest demand."

You can reach Eric Lacy at (734) 462-2674 or elacy@detnews.com.



Ankur Dholakia / The Detroit News

Martin Hawthorne, service manager for Jax Car Wash in Southfield, uses a power washer to clean the dirt and grime left over from cars.

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THE DAILY OAKLAND PRESS

12-15-05

Suburbs deserve a policy-making role in Detroit's water system

EDITORIAL

Like clockwork, the city of Detroit Water and Sewerage Department has announced eleventh-hour proposed rate increases for its suburban customers. The department's governing board's habit is to approve them in January, with the final OK from the Detroit City Council in February.

Also like clockwork, Oakland County Drain Commissioner John McCulloch responds to the rate changes by accusing the Detroit-owned agency of padding them in order to surreptitiously divert part of the suburban payments to fund unrelated projects within Detroit. McCulloch's predecessors made the same complaints, also with little or no effect.

And department Director Victor Mercado denies the charges, as did his predecessors. Like them, Mercado claims constant spending to maintain and improve the regional public sewer and water utility is vital. He also says he's made its operations much more efficient, as in explaining to repair crews that one job a day was insufficient.

Mercado no doubt has saved some money for users, the rate hikes notwithstanding. And it would be wrong to portray him as the "bad guy" - at least as the only one.

McCulloch is correct in saying suburban customers

should have an official oversight role in the rate-setting. McCulloch also has argued correctly that there ought to be more time for the region's communities outside Detroit to establish that their proposed rate hikes are unfair, often even by the agency's own rules. These include the amount of water pumped, how far, how high above the source and how much on the day of highest use.

But Detroit doesn't take the time, or have the time, to look behind the numbers. For example, a brief water main break in Ferndale resulted in an 18.8 percent rate hike. The city is protesting that it's wrong to use that to justify the hike. But the process will be time-consuming, which can mean costly, and the huge increase shouldn't have been proposed in the first place.

To be fair, the Detroit water board properly rewarded Pontiac with a 9.3 percent rate decrease. City officials say they avoided a high usage peak by making good use of the city's water storage tanks.

Rate payers, such as homeowners and businesses, should understand that each community sets its own rates - sometimes higher than the Detroit provider charges them and sometimes lower.

The suburbs' 3.9 percent average rate hike for next year compares with one of 5.7 percent a year ago.

Detroit's willingness through the years to extend its own water and sewer services to the ever-growing suburbs undeniably saved the region money by heading off madcap duplication of facilities in every new city and village. But now the customers tower over the old Motor City in population and usage.

They deserve - require - a real policy-making role in the system's operation, including financial management. The suspicion is that, Mercado notwithstanding, water users'

costs could be lower.

And, most important of all, suburban confidence in the Detroit department would help make unnecessary the early efforts that are under way to build a costly rival system in north Oakland and Genesee counties.

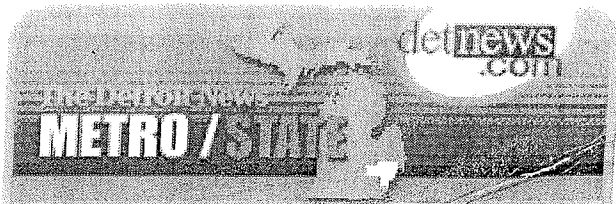
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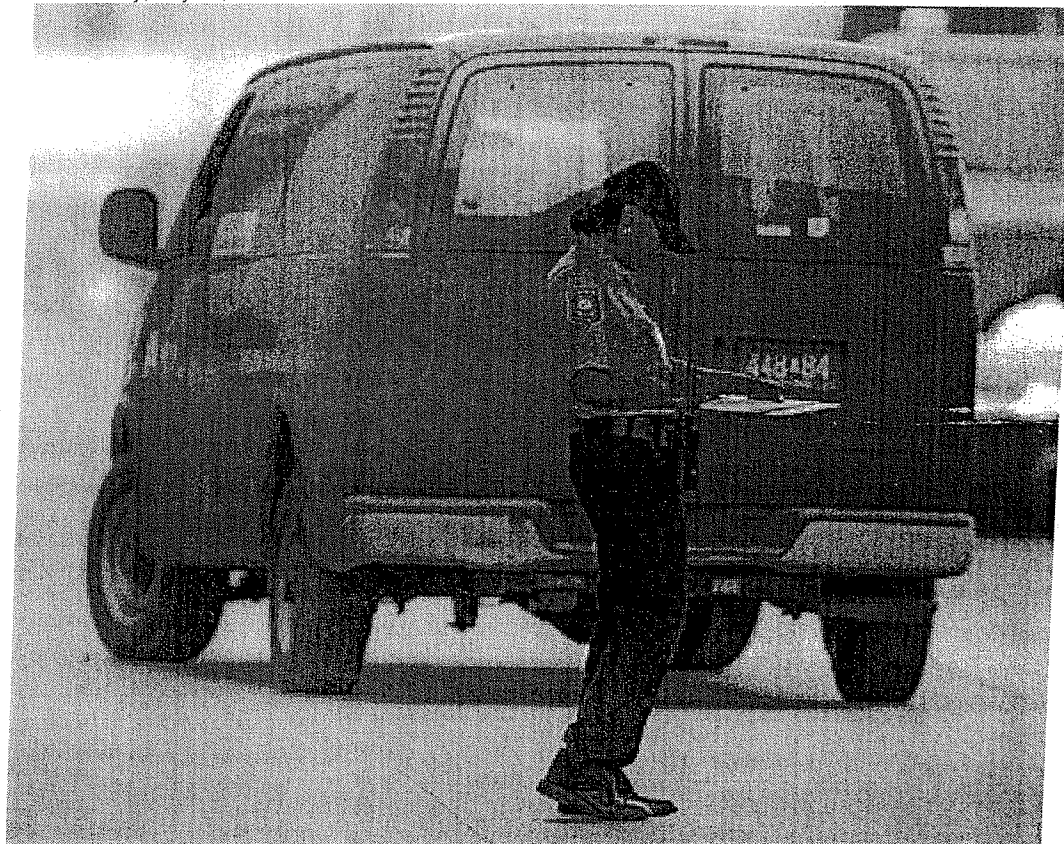
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Todd McInturf / The Detroit News

Detroit Water and Sewerage Department workers will use 11 percent of the radios, but the agency will pay a third of the system's total cost.

Detroit's radios paid by suburbs

Outlying towns will pay \$26 million in water fees to support the city's police and fire dispatch system.

By John Wisely / The Detroit News

DETROIT -- Suburban residents are helping pay for Detroit's new \$130 million digital radio system through their water and sewer bills, even though Detroit police and firefighters will hold the majority of the system's radios.

The Detroit Water and Sewerage Department will pay \$43 million

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for the dispatch and communication system, a third of the total cost, while its workers will use just 11 percent of the radios, according to documents obtained by The Detroit News.

The Detroit police and fire departments will have 69 percent of the radios.

That disparity infuriates suburban leaders, whose customers will pay nearly \$26 million for the system, based on the portion of revenue they provide. They also question the price tag, which is more than twice that of Oakland and Macomb counties' new systems combined.

Detroit officials insist the expenses are fairly distributed and the improvements are to secure a system that serves more than 4 million customers.

The dispute is the latest battle in the water wars that have raged for more than a decade between the city and the suburbs. Suburban residents have complained about an average 40 percent increase in water rates over the past five years, a lack of representation and perceived mismanagement. Some Detroiters accuse suburbanites of trying to take over the system.

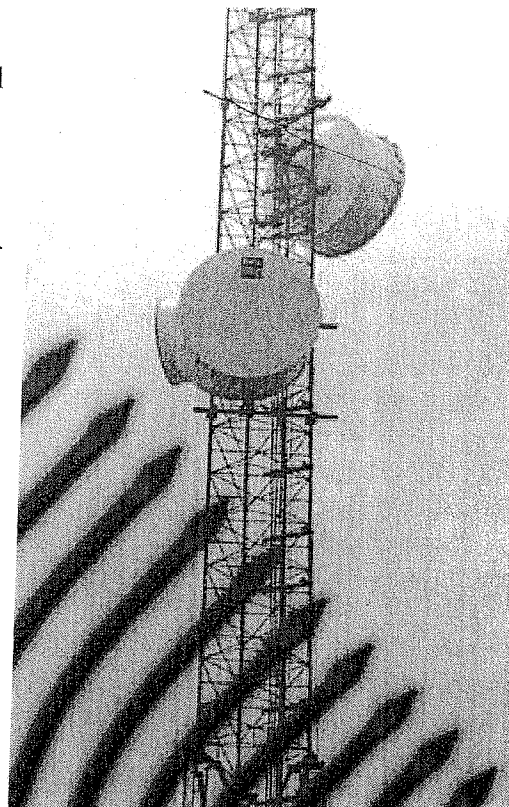
The feuds have played out in courtrooms and even the state Legislature, where suburban lawmakers continue to push for regional oversight.

"This is just more evidence of what we have been saying all along: that this is a department out of control," said Mike Greiner, deputy mayor in Warren.

"They think money grows on trees, and guess who's paying for it? The suburbs," he said.

Critics raise questions

Many communities across the country have been upgrading their



Todd McInturf / The Detroit News

Detroit is spending \$130 million on a new radio system for emergency services and other departments.

Detroit's new radios

- Cost: \$130 million
- Detroit Water and Sewerage Department's portion: \$43 million
- Total system radios: 11,000
- Detroit Water and Sewerage radios: 1,250
- Detroit police and fire radios: 7,600

CyberSurvey

Water Dept. static

Is it justifiable to ask suburban water customers to help pay for Detroit's new \$130 million digital emergency radio system through their water and sewer bills?

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communications systems since the September 11 attacks, when police, fire and ambulances struggled to communicate with one another. Detroit officials hope to have the new system operating by late August, well before the Super Bowl. It is a system designed to allow most Detroit city departments, including emergency responders, to talk with one another.

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The system also will tie into a statewide network.

For the water department, that means a security guard or a pipe crew working at the department's intake facility on Lake Huron can speak to other employees across southeast Michigan.

But critics of the system raise questions including:

- Why does the system cost more than twice as much as new ones in Oakland and Macomb counties?
- Why is the water department, which is managing the contract to build the system, in charge when the largest users will be other city departments?
- Although the water department is paying for 33 percent of the total cost, which includes its radios, why is it paying for 60 percent of the system's towers, computers and other infrastructure costs?

Detroit defends system

City officials insist the cost allocations are fair.

Documents obtained by The News show the water department ordered 700 portable radios that can be worn on the hip of an employee, for \$2,433 each. It bought another 550 mobile units for vehicles at \$3,505 each.

All city departments are paying for the radios that they will use, but the water department acknowledges that it will pay 60 percent of system infrastructure costs.

The system's computer is housed in a \$29 million, bombproof bunker on Detroit's west side. The building, which includes concrete walls more than a foot thick, bank vault doors and its own power supply, also will house the Detroit police's emergency dispatch center. The city is paying for all of the dispatch center and 40 percent of the radio center.

The water department also is paying for a portion of the common items in the building, including utilities and parking.

"Water is not paying for police radios," said Dave Rayford, Detroit's chief information officer who is spearheading the effort along with Detroit Water and Sewerage Department Director Victor Mercado. "We have to be real careful when we talk about project costs."

Mercado has been unavailable for questions the past 10 days, said department spokesman Delores Skomra, who defended the costs.

"For infrastructure, the arrangement reflects the fact (the water department) needed coverage over its 1,071-square-mile service area, while the other city departments need coverage only within the city," Skomra said. "The system is designed to provide in-building coverage throughout Michigan's largest city."

But some suburban leaders say that coverage strong enough to be heard in buildings only is needed for police and fire services, not water and sewer.

"The (water department) doesn't need in-building coverage in Detroit, as

witnessed by the fact that it doesn't need it in the surrounding counties," said Robert Daddow, deputy county executive in Oakland County. "Why am I as a water customer paying for a bombproof building and towers?"

County systems differ

The 10 towers on the system all are in Detroit. Outside the city, the department will use state towers, a move that will save money, Rayford said.

Macomb County is joining the state system, said Capt. Rick Kalm of the Sheriff's Department. The county is spending about \$13 million to build six towers and buy about 500 radios for the Sheriff's Department. The system could be expanded to handle about 3,500 users, Kalm said.

Oakland County's new \$42 million system will have about 6,000 users and can connect with the state system, Daddow said.

Rayford said the water department was chosen to run the radio system contract because it has the most experience building large construction projects.

"There is a very large construction blueprint," Rayford said. "This is a fine group of people to manage the construction. Water is like, I've got this built, I'm out of here."

But some of the expenses in the contract also raise eyebrows. The department paid \$9,300 to obtain a historical designation for Denby High School, where one of the towers is located. Rayford said the move was needed to get approval to work at the site. The department also paid \$217,000 in back rent owed by the city at the Penobscot building, where another tower is located.

Water department documents indicate that the back rent will be reimbursed by another city department.

"Over X period, somewhere, there were a couple (rent payments) that didn't get paid," Rayford said. "I'm unsure why they weren't paid. I don't know where the disconnect happened."

The expenses reinforce suspicions in the suburbs that the water department's big contribution is money, not construction expertise.

"To say they are the only ones who could build this -- give me a break," said state Rep. Shelley Goodman Taub, R-Bloomfield Hills, who is sponsoring a bill seeking regional oversight of the department. "Do they have a building department? The only place that Detroit can get ready cash is the Detroit Water and Sewerage Department. If the water department has 11 percent of the radios, it ought to have 11 percent of the costs."

Suburban leaders aren't the only ones who question why the water department is handling the contract.

"It stinks," said Detroit City Council President Maryann Mahaffey.

She is unhappy that Mayor Kwame Kilpatrick was able to authorize the radio system contract without council input. Judge John Feikens, under a federal consent decree over pollution, gave Detroit's mayor broad powers to manage the water and sewerage department.

"With Judge Feikens over the department and the mayor as czar, it often seems to me that they will take contracts where they know we will raise questions and red-tag them and say, 'This is an emergency; we have to have this,'" Mahaffey said. "We're told that we have the authority to approve contracts, but, in effect, we don't have any say. It's like, where's the accountability?"

A Nov. 11, 2003, executive order obtained by The News shows Kilpatrick awarded the contract to Detroit-based Motor City Electric Co., a company that has worked for the department in the past.

"In order to perform and fulfill my obligations as Special Administrator, I have approved and executed (the contract) with Motor City Electric Co.," Kilpatrick wrote.

Oakland County Drain Commissioner John McCulloch complained two years ago when work on the system began and has yet to get a breakdown of who is paying for what.

"After two years of trying, we have never been able to get an explanation," McCulloch said. "The last thing the city needs is to be spending that kind of money on the system."

You can reach John Wisely at (313) 222-2035 or jwisely@detnews.com.

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Mayor's allies get no-bid work

Detroit water department contractors, two of them major Kilpatrick backers, receive \$24.6M in extra jobs.

David Josar / The Detroit News

January 13, 2006

DETROIT -- Contractors for the Detroit Water and Sewerage Department have received \$24.6 million in extra work over the past 14 months without having to bid on the added jobs, and at least two of the biggest benefactors have been major financial supporters of Mayor Kwame Kilpatrick.

No company benefited more from the change orders than Lakeshore Engineering Services of Detroit, which was identified as a supporter last week in the program for the mayor's inaugural celebration, to which it donated at least \$25,000.

On Wednesday, Lakeshore received a \$1.5 million increase to its contract to remove asbestos and hazardous materials at the department's properties. It was the fourth time the contract has been increased since its inception in 2000.

It also was the second time in less than a year that Lakeshore Engineering asked for and received more money for more work. In April, Lakeshore was awarded a \$2.5 million change order for a total of \$4 million in increases, boosting the contract total to \$12.2 million.

In all, 22 different contractors received 39 no-bid contract additions from December 2004 to present, according to city records.

The changes came at the same time water officials announced that water rates are expected to jump nearly 6 percent this year for the regional water system used by 126 communities in southeast Michigan.

Lakeshore Executive Vice President Thomas Hardiman said his company's financial backing of the inauguration was simply because the company believes Kilpatrick is the man who can best lead the city and has nothing to do with his firm's city contracts.

"We've been doing business with the city at the same price since 1999," Hardiman said. "We were the low bidder, and that's all it is."

Detroit water department spokesman George Ellenwood said change orders are part of routine business and that the department worked hard to reduce the number of contracts modified that way.

He said less than 10 percent of all contractors ask for the exceptions.

Still, deals like that, particularly the one Lakeshore Engineering received and those that went to other Kilpatrick backers, have critics crying foul.

"It certainly has an air of impropriety about it," said John McCulloch, the Oakland County drain commissioner who has sparred with the Detroit water department for several years.

McCulloch said contracts ordinarily have "do not exceed" limits, and if a company wants to exceed that parameter, it makes good business sense to solicit new bids.

Last year, Oakland County filed a lawsuit trying to give a five-member board -- not the mayor of Detroit -- authority over the water department. The ongoing suit is the latest salvo in a decadelong battle between the city of Detroit, which owns and operates the water system, and the suburbs, where three-quarters of the customers live.

Many suburban critics contend Detroit's management causes higher water and sewer rates for suburban customers and that suburbs help finance Detroit operations that go beyond the department.

In court records, suburban communities have alleged that Kilpatrick has used his authority to "flout normal contracting rules." A federal judge on Jan. 5 stripped Kilpatrick of his special administrator role over the water department but rejected a suburban request for a formal role in its governance.

Mayoral spokesman Howard Hughey said all the water department deals were above-board, and he characterized McCulloch's comments as inflammatory.

"Time and time again, politicians such as John McCulloch have used situations like this as political footballs to carry out their own agenda," Hughey said. "There is no impropriety -- just aggressive management to whip this department into shape."

In no way did donations to the inaugural celebration personally benefit the mayor, Hughey said, adding that all excess monies will go to charity.

Final totals from the event and the amount of any charitable donations should be known in a few days, Hughey said.

Wednesday's change order for Lakeshore was a "stop gap" measure as the water department is soliciting new bids for asbestos and hazardous materials removal, Ellenwood said.

The bid process will take some time, but there was work that had to be done now, he said.

In other cases, Ellenwood explained, such as when construction crews replace water lines and repair streets, new work is added via change orders as a company completes one project, which allows the change orders to function as an incentive to quickly finish jobs.

No one may have benefited more from that city strategy than the Lanzo Construction Co.

Through Sept. 7, a routine contract between the water department and Lanzo Construction to repair downtown streets was increased 12 times from when it was started on May 3, 2004, for a total of \$6.5 million. The original deal was for \$1.5 million in work.

Lanzo Construction Co. also is a Kilpatrick financial backer. According to campaign finance disclosure forms, three family members and an executive of the D'Alessandro Contracting Group, of which Lanzo Construction is a part, donated a total of \$13,600 to Kilpatrick's campaign last February.

Last year, water director Victor Mercado said the department had adopted a new strategy that would eliminate the costly practice of change orders, where midway through a project a contractor tells the city it needs more money to complete a project than promised.

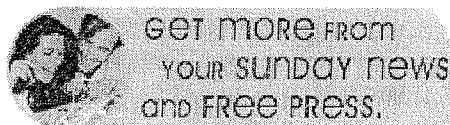
The practice was initiated when a job to improve security at water department facilities was given to a team headed by the mayor's friend Bobby Ferguson even though the team's proposal was \$3 million more than the lowest bidder and it lacked experience.

Ellenwood on Wednesday said that method worked and that although final numbers aren't available, the security upgrades were done on time and below the projected cost.

Detroit water contracts routinely allow a cushion of 10 percent to 15 percent to cover unexpected problems or changes in work.

No-bid amendments and change orders must be approved by the water commissioners, appointed by the mayor. The Detroit City Council then gives a final OK.

You can reach David Josar at (313) 22-2073 or djosar@detnews.com.



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Friday, July 29, 2005

Oakland: Revise radio pay plan

County executive says making water customers foot a third of the bill for \$130 million system is a rip-off.

By John Wisely / The Detroit News

PONTIAC -- Oakland County officials want the city of Detroit to revise the way it is paying for a new \$130 million radio system.

The Detroit News reported Wednesday that the city assessed one-third of the system's overall costs to the Detroit Water and Sewerage Department, though it will use only 11 percent of the radios on the network. Suburban leaders said they view that as a way to shift costs to their residents, who provide the majority of the department's revenue through their water and sewer bills.

"They may think that cost allocation is fair but we know it's a rip-off," said Oakland County Executive L. Brooks Patterson.

Detroit Water and Sewerage Department Director Victor Mercado plans to make a special presentation to suburban customers in September to detail how the radio system is being financed, said department spokesman George Ellenwood. The communication network will largely be used by the Detroit police and fire departments, in addition to water workers and other city employees.

"At this point, the cost allocations remain the same," Ellenwood said. "That's not to say that they might not be open to renegotiation in the future."

Oakland County Drain Commissioner John McCulloch questions whether such a meeting can resolve the issue.

"This is basic information that we have been requesting since 2003 and have yet to receive," McCulloch said. "It's going to take more than a 20-minute PowerPoint presentation to satisfy me on a \$130 million project."

McCulloch said that previous Mercado presentations on rates policy have

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- Total radios: 11,000
- Detroit Water and Sewerage radios: 1,250

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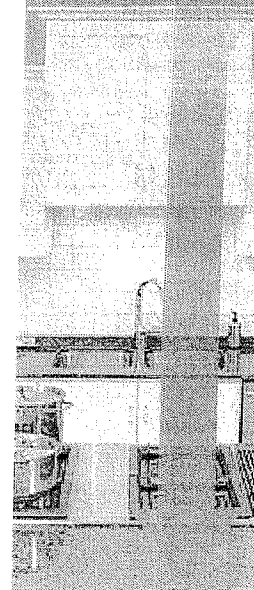
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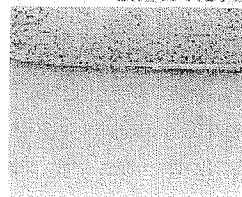
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lacked detail and many questions raised during them never get answered fully. Ellenwood said the radio project has been discussed in the past but he was unsure if McCulloch was present during the discussions.

Oakland County Commission Chairman Bill Bullard wants county lawyers to seek changes in court. The water department and U.S. District Judge John Feikens, who has monitored it for 28 years as part of a pollution lawsuit, have responded to complaints before, he said.

At one time, unpaid water bills were an expense shared by all customers, Bullard said. After some communities complained, the bad debt was charged to the individual communities that run it up.

A similar agreement could be reached on the radio costs, Bullard said.

"I think there is a reasonable expectation that there could be some rate relief," Bullard said.

He introduced a resolution Thursday asking McCulloch to have lawyers look into it. The County Commission could vote on the resolution next month, Bullard said.

You can reach John Wisely at (313) 222-2035 or jwisely@detnews.com.

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Suburbs may get break on radio costs

Leaders: Detroit should pay greater share of \$131M communication system since it will use it more.

David Shepardson / The Detroit News

February 23, 2006

DETROIT -- A court-appointed expert ruled Wednesday that Detroit's share of costs for a new \$131 million digital radio system should be re-evaluated.

Officials in Oakland County and other suburbs have protested the way costs were split between the city and the Detroit Water and Sewerage Department, which was given charge of ordering the new system even though its workers were to use only a small fraction of the system's capacity. Much of the system was to be used by city of Detroit police and firefighters.

In July, The Detroit News reported that the Detroit Water and Sewerage Department -- which is funded primarily by suburban ratepayers -- will pay \$43 million for the dispatch and communication system, a third of the total cost, though its workers will use just 11 percent of the radios. The Detroit police and fire departments will have 69 percent of the radios.

"The cost allocation requires further review," Special Master F. Thomas Lewand wrote in a 24-page memorandum issued Wednesday. Now that the system has been up for months and actual usage can be measured, he recommends that a consulting firm be hired to determine an appropriate division of expenses.

Oakland County Executive L. Brooks Patterson said he'd liked to see the suburbs' costs reduced.

"Radios have nothing to do with clean water. It was a way to buy radios primarily for the police and fire department. This was clearly a misapplication of funds," Patterson said Wednesday.

Following news reports and suburban criticism questioning two other water department contracts, U.S. District Judge John Feikens -- who has overseen the water department under a consent decree stemming from a 1977 federal lawsuit -- ordered Lewand to review three contracts.

Lewand gave the city a clean bill of health on a \$21 million contract for security upgrades -- even though the city passed over a lower bidder. Lewand also disclosed that a \$38,700 no-bid contract given to the public relations firm run by Detroit Mayor Kwame Kilpatrick's re-election campaign spokesman had been canceled. Berg Muirhead & Associates -- which was co-founded by Bob Berg, Kilpatrick's campaign spokesman -- billed just \$5,700.

You can reach David Shepardson at (313) 222-2028 or dshepardson@detnews.com.

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Article published Feb 5, 2006

City, Oakland oceans apart on water department issues

BY ALEX LUNDBERG
STAFF WRITER

To hear Oakland County Drain Commissioner John McCulloch and Detroit Water and Sewerage Department Director Victor Mercado talk about water issues in southeast Michigan, you'd think they were talking about water issues on different planets.

According to McCulloch, the DWSD is a mismanaged, opaque operation run in a way that is denying suburban communities a voice in how their water is delivered and their wastewater is taken away.

According to Mercado, DWSD is providing the services it's contracted to provide, within state and federal guidelines, in full view of public oversight at a price competitive with other cities of its size.

The third player in the drama, U.S. District Court Judge John Feikens, ruled earlier this year that Detroit can be the only owner and operator of the DWSD, shooting down McCulloch's bid for a regional authority. At the same time, he said the city and its customers need to have a closer, more collegial relationship.

McCulloch said after 28 years of judicial oversight, it's clear that the program is not working and there needs to be a new hand on the rudder at DWSD.

"There's mismanagement of the water system and problems with operational efficiency in the area of costs," he said. "Major programs have been deferred and critical capital improvements have not been done on a system with a 100-year-old infrastructure."

He said rate-setting assumptions for the DWSD are very complex where ones used by other cities are straightforward.

Mercado said the city keeps full information about water rates, and how those rates are arrived at, on its Web site and holds open meetings in wholesale customer communities. On the whole, he said Detroiters and residents of communities contracting water services from the city are getting good value for their dollar.

Mercado said the DWSD has kept the cost of its services down in the four years he's been on the job. The total budget for the system was \$345.2 million in 2002-03 and \$349.3 million this year, an increase of only 1.2 percent. He chalked the low increase up to operations, curtailing overtime through better management and moving resources to where they're needed. The number of employees has been cut from 3,200 to 2,600.

Still, security and water quality have not been compromised.

"We meet or exceed safe water standards," Mercado said. "We have five plants, one is brand new. Does everyone have problems with pipes in their cities? Yes. All seasonal cities have issues with their water mains."

The rise in the operations and maintenance costs have mostly been capital improvements. Acting in the wake of the 2003 blackout, Mercado said new auxiliary power systems have been added to pumping stations that will provide a pumping capacity of 800 million gallons per day in the event of another total blackout.

Another outcome of the blackout was the creation of the city's 800 MHz radio system, which allows police, fire and other essential services to coordinate their communications. Mercado said the system is the primary communications for DWSD.

McCulloch has protested the water department's share of the cost, saying it is "way out of line" with the benefits the system gets

from it, a point challenged by Mercado.

"Detroit is 100 square miles, the DWSD system is 1,000 square miles," Mercado said. "DWSD paid for the towers, generators, licensing and software. It was \$45 million from us and the rest came from other city departments. It was about \$126 million altogether."

McCulloch said there needs to be a regional authority to run the DWSD and set its rates for the entire southeast Michigan region. He was thinking something along the lines of the authority in Boston.

"A core group of representatives that will increase to include new customers and an advisory board," he said. "There are 125 communities (customers) of DWSD; not all would be on the core board, but they could be on the advisory board."

As to claims that the city can own the system while a regional board controls it, Mercado said no one would accept that in their homes, so why should the city relinquish control over its water system?

"(The city) would have all of the financial responsibilities, but someone else is going to say how we're going to spend money?" Mercado said. "Like the judge said, that's against the Michigan Constitution. You have to remember that in the '50s, Detroit was forced to put mains in the suburbs and the city is responsible for those bonds."

McCulloch said customer communities are already responsible for the bonds through the rates they pay for service. Money, he said, will eventually drive every decision in Detroit.

"The city is going to get to a point when it has to consider selling the system to solve other issues," he said. "(An agreement on DWSD) could be a model for other regional issues like transportation and Cobo Hall."

THE DAILY OAKLAND PRESS

10-3-05

Detroit's dirty politics clog sewer system for suburbs

EDITORIAL

Detroit controls the region's water and sewer system, so Oakland County communities have no choice but to buy its services. The situation is similar to the ³taxation without representation² arrangement that led early Americans to stage the Boston Tea Party in protest. Then, England taxed the colonists' tea to pay for British wars around the world. Here, the suburbs are the Detroit system's biggest customers, but they do not control rates, spending or management of the system.

It is an inequitable system that invites abuse and questionable practices. Examples include Detroit's recent purchase of a \$131 million communications system for the city that is being paid for - in part and certainly unfairly - with suburban water and sewer fees. Then there are the contracts for water department public relations and security work that went to Detroit political insiders rather than to the lowest bidders.

These questionable practices have prompted Oakland County Drain Commissioner John McCulloch to ask a federal judge to no longer allow Detroit Mayor Kwame Kilpatrick to have sole control of the department - a role originally designed to help the department meet Clean Water Act requirements.

Recent practices seem to have a lot more to do with dirty Detroit politics than dirty water.

McCulloch correctly argues that Oakland, Macomb and Genessee drain commissioners; Wayne County's director of the Department of Environment; and the Detroit mayor should make up a committee to run the department. In addition, there should be transparent accounting and records on all costs, charges and contracts, and the suburbs should be refunded any past overcharges.

That seems only fair and a necessary control to correct present practices and prevent future problems. The changes in management and disclosure should be done regardless of who wins the upcoming mayoral election in Detroit and certainly long before Detroit begins billions of dollars of capital improvement projects on the system.

Without better management, anticipated maintenance and improvement projects are too tempting in terms of abuse.

The Detroit Water and Sewerage Department provides figures showing that Detroit enjoys some of the lowest big-city rates in the country. But those figures also show that Detroit water customers pay twice what Chicago water customers pay. These are two cities with abundant water supplies from the Great Lakes at their doorsteps.

With better control, water and sewer rates paid by Oakland County customers probably could be lower.

It's time for some changes.

Find a better way to count students

Why do Oakland County and Michigan still go through the ritual of student count day in this age of computerized record keeping, spreadsheets and databases? Counting the number of children who show up on one day in September and one day in February to determine how much state funding districts receive is archaic and